



ECONOMIC ENABLING ENVIRONMENT



Photo by TIBA

Odesa One-Stop Shop Administrator Galyna Sergienko checks documents submitted by a local entrepreneur.

THE CHALLENGE

Ukraine needs to shed burdensome over-regulation and make the investment environment more business friendly. The high cost of doing business and lack of an enabling environment and the associated high risk create a drag on business investment.

PROGRAM OBJECTIVES

- Improve the business climate for Ukrainian Small and Medium Enterprises through policy and regulatory reform.
- Help reduce obstacles to developing private enterprises, complex business registration, licensing, and certification requirements.
- Assist in fulfillment of WTO Commitments and Ukraine's post-accession to the WTO.
- Assist in developing and implementing policy reforms to decrease agricultural taxes and subsidies; regulatory reform; and privatization of government owned agricultural facilities.
- Assist in drafting and implementing legislation that will improve the infrastructure for a stable investment environment.
- Reconcile conflicts between the Civil and Economic Codes.

OVERVIEW

USAID legal and regulatory reform programs are working to improve the business climate by reducing unnecessary government regulations and improving economic and business conditions to attract both domestic and foreign investment; providing technical assistance for skills training and improving microeconomic conditions.

OUR PROGRAMS

Accession to the World Trade Organization

USAID is assisting Ukraine to integrate further into the global economy. USAID's Trade, Investment and Business Acceleration Project (TIBA) is assisting Ukraine in concluding the WTO post-accession process and in implementing its WTO commitments, particularly those related to Sanitary-Phytosanitary Measures, Technical Barriers to Trade and Government Procurement; and assisting Ukraine's private sector in benefiting from WTO accession.

Regulatory Reform

Through TIBA, USAID is directing efforts to reduce corruption and the cost of doing business by improving the regulatory environment and reducing opportunities for corruption. TIBA is focusing on the following areas: 1) improving the implementation of regulatory policy; 2) deregulation in construction and tourism; 3) improving permit regulations and simplifying permitting and inspection procedures for construction; 4) introducing effective land zoning principles; and 5) simplifying procedures to obtain local access to municipal services (utilities).

Agricultural Policy, Legal and Regulatory Reform Project

USAID is working with the Ukrainian government and private business to support growth of the country's agriculture and food sector, through new legislation, practices and policies, including integration into the global trading system.

Commercial Law

Commercial Law activities focus on assisting Ukraine in developing legislation, commercial systems and practices that underpin a market economy. USAID assistance concentrates on collateral law, bankruptcy and mortgage, and the prerequisites for commerce, including the enforcement of contracts and judicial decisions, a fair and transparent regulatory regime that facilitates commerce, and a legal environment conducive to foreign investment.

PROGRAM HIGHLIGHTS

WTO

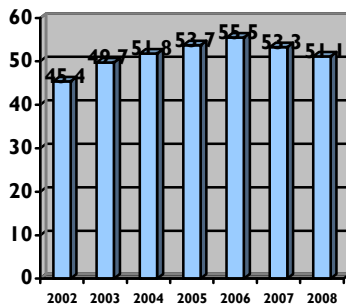
Ukraine became member of the WTO on May 16, 2008. USAID provided technical assistance for much of the accession package, including:

- Preparation of key documents for harmonization reflecting 30 international Codex, World Organization for Animal Health (OIE) and Integrated Pollution Prevention Control (IPPC) standards.
- A manual on Sanitary and Phytosanitary (SPS) Notifications and Enquiries; eight sublegal acts to implement SPS laws have been prepared, of which seven have been adopted.
- Reducing the list of goods subject to mandatory certification.
- A master plan for reducing corruption in government procurement and draft proposals to amend the law on government.
- Adoption of ISO 22000:2005 on Hazard Analysis Critical Control Points (HACCP) and development of a manual for dairy industry adjustment to HACCP.
- Revising Ukraine's government procurement (GP) legal and institutional framework to be in line with best international practices and WTO GP Agreement (GPA).

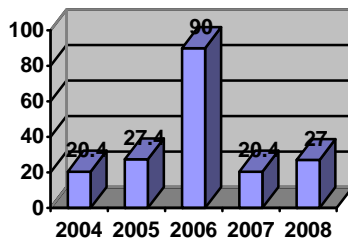
Regulatory Reform

USAID supported:

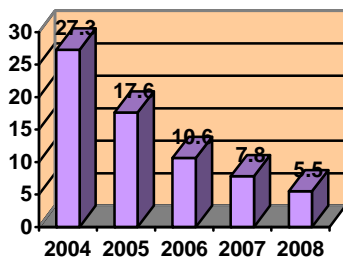
Index of Economic Freedom (Source: The Heritage Foundation, %)



Business Start Time, days (Source: Doing Business 2008)



Business Registration Cost, % GNI per capita (Source: Doing Business 2008)



Implementing Partners:

TIBA: Booz Allen Hamilton

AgPolicy: Abt. Associates, Inc.

Commercial Law: Commercial Law Center.

For more information, please contact **USAID/Ukraine Development Outreach & Communications**, tel. (380 44) 537 4600 or visit <http://ukraine.usaid.gov>

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- Amendments to the Regulatory Policy Law (RPL) to eliminate loopholes tightening public notification requirements for regulatory acts; clarifying requirements for Regulatory Impact Analysis/Evaluation in to improve the effectiveness of the analysis; and providing for harsher penalties for violations of the RPL.
- Amendments to 15 laws and to the Rules of the Cabinet of Ministers to bring them into compliance with the RPL.
- In collaboration with the State Committee for Regulatory Policy and Entrepreneurship (SCRPE), publishing a comprehensive *Regulatory Policy Law Manual* that covers all aspects of RPL implementation using examples taken from actual State agency practice.
- In collaboration with SCRPE, development of a proposal to carry out quick deregulation in problem areas directly relevant to Ukraine's hosting of the European Soccer Championship in 2012, i.e., in construction and land; permitting; licensing; and tourism. The program is designed to include the effective participation of the business community. The Resolution of the Cabinet of Ministers on launching the QD was adopted in June 2008.

AgPolicy:

USAID supported:

- Laws and resolutions that were adopted in 2008, aiming at improving access to credit, improving the subsidy regime; and removing double taxation.
- Laws aimed at improving the transparency of VAT.
- A private sector advisory council at the Ministry of Agricultural Policy which led to first-time public publication of the GOU agriculture subsidy regime and removal of the grain export ban.
- Achieving consensus amongst the governments of Ukraine, Moldova, Georgia and Azerbaijan for a common system for the grain trade, also supported by EBRD.

Commercial Law

USAID supported:

- Passage of the *Joint Stock Company Law*, which sets the stage for significant improvements in corporate governance of enterprises and financial institutions. The law clarifies procedures for establishing, governing, and terminating joint stock company activity and strengthens procedures to protect the interests of shareholders.
- Preparation of the *Civil Code*; in particular, in drafting of Book IV (Intellectual Property Rights - IPR) of the *Civil Code* in accordance with international IPR protection and enforcement.
- Improvement of a new *Secured Transactions Law* in collaboration with the World Bank. The law expanded the concept of security interest and rights that can be used as collateral; defined proper registration procedures and priority provisions; improved the mechanisms for enforcement of collateral; and decreased the opportunity for court interference with enforcement of collateral.
- Passage of a *Bankruptcy Law* and the laws *On Mortgage*, *On Mortgage Securities*, *On Securities and Stock Exchange* and *On Financial Leasing*, facilitating capital market development.
- Passage of the *Law On State Registration of Legal Entities and Individual Entrepreneurs* that provides for effective protection of third parties' rights in business deals, simplifies and shortens the business registration procedure through introduction of a one-stop shop approach.
- Passage of a *Credit Bureau Law in Ukraine*, which laid the legal foundation for establishment and operation of the first credit bureau in Ukraine.
- Drafting, adoption and implementation of a law *On Access to Court Decisions*, which laid the legal foundation for the operation of the Unified State Registry of Court Decisions. USAID sponsored the procurement of hardware and upgrading of Registry software. This opens up opportunities (1) for the general public to study court decisions; (2) for the court administrations to input their respective data more efficiently; and (3) for court cases to be assigned to judges randomly. Decisions of economic courts were also made available on the High Economic Court website.
- Training of more than 7,000 public and private attorneys, approximately 3,000 bailiffs and 1,500 entrepreneurs.
- Preparation of the final draft of the *Code of Commercial Court Procedure* in cooperation with the Ministry of Justice; assisted Ministry of Economy in drafting the law *On General Principles of Implementing PPP Projects in Ukraine*.